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SENSITIVE
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STATE/USAID PASS TO DEBORAH KENNEDY-IRAHETA

E.O. 12958: N/A
TAGS: [EAID](#) [ECON](#) [PREL](#) [PGOV](#) [BL](#)
SUBJECT: Bolivia 2009 Fiscal Transparency Report

REF: 09 State 28885, 08 La Paz 1720, 08 La Paz 174

¶1. (U) The Government of Bolivia has maintained its commitment to fiscal transparency and accountability as reported in Post's submissions for the Department's preparation of the report submitted under a similar provision in the FY 2008 State, Foreign Operations, and Related Programs Appropriations Act (Section 668). The Summary Sheet for April 2008 Report on Fiscal Transparency and Accountability, which accompanied the Report on Fiscal Transparency and Accountability In Countries Whose Central Governments Receive U.S. Foreign Assistance, released in April 2008 by the Bureau of Economic, Energy and Business Affairs, U.S. Department of State, assigned Bolivia a rating of 'Green,' meaning that "the Country is likely eligible for assistance based off of report data." Post sees no reason to recommend a change in that rating.

¶2. (SBU) Responses to Action Request, Paragraphs 3 and 4, SECSTATE ¶28885.

--Is the central government expected to receive or is it already receiving U.S. foreign assistance funded using FY 09 funds?
(SBU) Post responds that, regarding U.S. foreign assistance funds appropriated to USAID, the Government of Bolivia declined to sign bilateral grant agreements with USAID for the obligation of FY 08 funds, and FY 08 funds were obligated unilaterally to non-GOB recipients. While USAID will explore the possibility of obligating at least some FY 09 funds bilaterally with the GOB, due to continued erosion of the bilateral relationship and the high possibility that the GOB will again decline to sign bilateral grant agreements for FY 09 funds, USAID will prepare to obligate FY 09 funds unilaterally as well, to non-GOB recipients.

Even if FY 09 funds are obligated bilaterally with the GOB, the funds are then subobligated by USAID to non-GOB recipients, for the purposes of implementing the USAID program in Bolivia, so there will not be any direct benefit, in terms of providing either funds or commodity assistance, to the GOB.

--Is the host country's budget publicly available?

(U) The government of Bolivia presents a proposed national budget to the congress toward the end of the year (November or December). At that time, the government makes public its budget assumptions and its presentation to congress. Congress considers the budget proposals and is then expected to approve a final version by the end of the year. Once approved, the budget is available in print and on the Finance Ministry's website. All revenue and expenditure figures are included in the publicly available budget. On the whole, the information is both meaningful and accurate.

--Post's assessment of the extent to which the publicly available budget accurately reflects actual government incomes and expenditures.

(U) Some of the methodology used for data collection may be problematic, principally because of a lack of institutional capacity in small municipalities. An additional area of concern is the growing size and lack of institutional capacity within state-run enterprises. The political disposition for transparent fiscal

administration appears to continue to exist, but institutional capacity to manage a growing budget both within state-owned companies and within the smaller, municipal (and even departmental) governments may cause the accuracy of budget reporting to be called into question.

13. (U) Post notes that Venezuelan development assistance was administered off budget from 2006 to 2008. The Venezuelan government contends it provided about \$95 million in Bolivian development assistance in 2006 and 2007 and media reports often estimate more than \$170 million from 2006 to 2008. This funds are provided directly to Bolivian President Evo Morales to distribute as he sees fit through the "Bolivia Changes, Evo Delivers" program. This off-budget distribution is often criticized by the opposition as a means to provide patronage to the Bolivian government's political allies, encourage loyalty among the local government officials, and influence voting during elections (reftels b and c).
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